



CITY OF CHICAGO • OFFICE OF THE MAYOR



**FOR IMMEDIATE RELEASE**

April 12, 2023

**CONTACT:**

Mayor's Press Office

312.744.3334

[press@cityofchicago.org](mailto:press@cityofchicago.org)

**CITY OF CHICAGO SECURES TWO MORE RATING UPGRADES FOR THE CITY'S  
WATER AND SEWER CREDITS**

*Latest upgrades mark City of Chicago's 12<sup>th</sup> and 13<sup>th</sup> rating upgrades over the last eight months, along with three positive outlooks, acknowledging the City's overall financial health and stability*

**CHICAGO** — Mayor Lori E. Lightfoot announced today that Standard & Poor (S&P) Global Ratings has upgraded the City of Chicago water and sewer revenue credits, each by one-notch. The Water Second Lien Revenue Bonds were raised to 'A+' from 'A' and the Sewer Second Lien Revenue Bonds were raised to 'A+' from 'A.'

"These upgrades reaffirm our long-term effort and hard work, which have resulted in fiscal stability for Chicago and our system partners," said Mayor Lori Lightfoot. "The ratings not only prove the excellence of our City's operational and financial management, but confirm that we have been making the right decisions, all along, to attract additional investment, boost economic vitality, and further strengthen our City's finances."

Among Chicago's innovations that earned these upgrades is the City's commitment to transition from its current uniform water rate to the American Water Works Association (AWWA) M1 Cost-of-Service rate methodology for all its suburban wholesale customers. Considered the industry standard for rate setting by public water suppliers, the AWWA methodology is a transparent platform that establishes individual rates for each wholesale customer reflecting only components of the system that are "used and useful" in providing their water service.

"These new upgrades reflect marked financial improvements across the city as a whole, but in particular reflect a transformation of the water system into a growth mode through regional collaboration," said Chief Financial Officer Jennie Huang Bennett. "We have made significant strides in improving the financial stability of both the water and sewer system, including strengthening regional water partnerships to create a stronger water community in the northeast Illinois region."



CITY OF CHICAGO • OFFICE OF THE MAYOR

---



In addition, in 2022, Chicago established the new “Chicago Water Partners Advisory Council” (CWPAC), an organization comprising representatives of all the communities that receive water from the City. The CWPAC, which provides ongoing feedback and recommendations to the Chicago Department of Water Management, strengthens the City’s relationships with its wholesale customers and ushers in a new era of regional collaboration on water policy and operations.

Chicago also has developed a comprehensive long-term financial strategy to fund replacement of the more than 350,000 lead service lines (LSLR) in the City, absorbing the costs of public side LSLR while keeping annual rate increases in line with inflation. This includes full funding of water system capital improvements via water rates, including public side LSLR work. The City intends to utilize federal funds for private side LSLR funding.

The addition of the City of Joliet and surrounding southwestern suburban communities in the new Grand Prairie Water Commission to Chicago’s 50 existing wholesale water partners in the region was a critical factor in the recent rating upgrades. This water supply contract represents the first new water customer for the City of Chicago in approximately 40 years and is anticipated to generate nearly \$1B of new financial value to the water system, or approximately \$30M in annual revenues. The Grand Prairie Water Commission is expected to be the second-largest regional water customer in the Chicago system, and Joliet is the third most populous city in the State of Illinois.

This regional collaboration has also already encouraged other customers to choose to join the City of Chicago, which includes the recent decisions of Oswego, Montgomery, and Yorkville to join the DuPage Water Commission, which takes water from Chicago. This addition is expected to generate up to \$10M in annual water revenues.

According to S&P Global, the rationale for the upgrades includes:

- Modernization of the bond indentures (contracts) and adoption of new cash reserve policies to improve liquidity;
- Robust financial projections to demonstrate the City’s leverage metrics and debt service coverage — enabling support of the Capital Improvement Plan (CIP);
- As described above, conversion of the water system to the AWWA “cost-of-service” rate methodology under which the City’s suburban customers are charged only for the infrastructure they actually use;
- Proactive actions to make system improvements and begin lead service line replacements; and
- A new pension advance policy.



CITY OF CHICAGO • OFFICE OF THE MAYOR



Last November, the City received its first upgrade rating in six (6) years for its water and sewer systems from another agency, Moody’s — which raised the second lien water revenue bonds one notch to ‘A’ from ‘A-’ and raised the second lien sewer revenue bonds to ‘A’ from ‘A-’.

Today’s positive ratings are the latest over the last eight months:

1. **August 2022:** Fitch Upgrades Chicago’s O’Hare General Airport Revenue Bonds (GARBs) to ‘A+’ from ‘A’.
2. **August 2022:** S&P Upgrades Chicago’s O’Hare GARBs to ‘A+’ from ‘A’.
3. **August 2022:** S&P Upgrades Chicago’s O’Hare Passenger Facility Charge (PFC) revenue bonds to ‘A+’ from ‘A’.
4. **October 2022:** Fitch Upgrades Chicago’s General Obligation (GO) Bonds to ‘BBB’ from ‘BBB-’ and upgraded their Outlook to ‘Positive’ from ‘Stable’.
5. **October 2022:** Fitch Upgrades Chicago’s Sales Tax Securitization Corporation (STSC) Bonds to ‘AA’ from ‘AA-’ and upgraded their Outlook to ‘Positive’ from ‘Stable’.
6. **November 2022:** Fitch Upgrades Chicago’s Water Revenue Bonds to ‘A’ from ‘A-’ and upgraded their Outlook to ‘Positive’ from ‘Stable’.
7. **November 2022:** Fitch Upgrades Chicago’s Sewer Revenue Bonds to ‘A’ from ‘A-’ and upgraded their Outlook to ‘Positive’ from ‘Stable’.
8. **November 2022:** Moody’s Upgrades Chicago’s General Obligation (GO) Bonds to “Baa3” from “Ba1,” with a ‘Stable’ Outlook.
9. **November 2022:** Moody’s Upgrades Chicago’s Water Revenue Bonds to ‘Baa1’ from ‘Baa2,’ with a ‘Stable’ Outlook.
10. **November 2022:** Moody’s Upgrades Chicago’s Senior Lien Sewer Revenue Bonds to ‘Baa1’ from ‘Baa2,’ with a ‘Stable’ Outlook and Junior Lien Sewer Revenue Bonds to ‘Baa2’ from ‘Baa3,’ with a Stable Outlook.
11. **February 2023:** S&P Upgrades Midway Airport Revenue Bond Ratings to ‘A’ from ‘A-’.
12. **April 2023:** S&P Upgrades Chicago’s Second Lien Water Revenue Bonds to ‘A+’ from ‘A’.
13. **April 2023:** S&P Upgrades Chicago’s Second Lien Sewer Revenue Bonds to ‘A+’ from ‘A’ and assigns ‘A+’ rating to Second Lien Wastewater Transmission Revenue Bonds.

"These upgrades reflect the work that we do every day to ensure that Chicago residents and nearby suburbs have access to nearly one billion gallons of drinking water," said Andrea Cheng, Commissioner of the Department of Water Management. "The ratings put us in a strong financial position to enable us to maintain our current water systems and for our area’s future needs."



CITY OF CHICAGO • OFFICE OF THE MAYOR



The Chicago Water System serves more than five (5) million people, or approximately 41% of the state's population, including 120 suburban communities. The City of Chicago's Jardine Water Treatment Plant and Sawyer Water Treatment Plant are the #1 and #8 largest conventional water treatment plants in the world. The City of Chicago Sewer System serves 2.7 million people in the City of Chicago.

###